

MAJOR SOURCES OF REVENUE



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LOCAL FUNDS

GENERAL OBLIGATION BONDS

General Fund departments have traditionally relied on General Obligation Unlimited Tax Bonds of the City for capital projects. In 1980, as a consequence of adverse economic and financial factors, the rating on the City's general obligation debt was lowered below "investment grade" by both major bond-rating firms. In June of 1986, Standard and Poor's (S & P) upgraded the City's General Obligation Bonds to an investment grade level; and in November of the same year, Moody's Investors Service (Moody's) concurred with a similar upgrading. As a result, the City entered the General Obligation Bond market for the first time since 1979, with a \$51,125,000 sale on September 15, 1987. Since then, sixteen additional bond sales have taken place.

HISTORY OF GENERAL OBLIGATION BONDS SALES

September 1987	\$ 51,125,000	November 1996	\$ 34,300,000
November 1988	\$ 49,260,000	December 1997	\$ 44,250,000
December 1989	\$ 36,360,000	April 1999	\$ 44,100,000
October 1990	\$ 60,705,000	December 1999	\$ 45,000,000
December 1990	\$ 15,030,000	August 2001	\$105,000,000
November 1991	\$ 39,565,000	August 2002*	\$ 46,210,000
December 1993	\$ 26,770,000	August 2003	\$ 45,770,000
August 1995	\$ 50,000,000	August 2004	\$ 42,400,000
		TOTAL	<u>\$735,845,000</u>

Note: The August 2002 bonds sold at a premium of \$1,210,000.

Bond proceeds of **\$735,845,000** were appropriated for projects involving:

Agency projects funded with general obligation bonds	Bond Proceeds
Detroit Institute of Arts	\$45,150,000
Charles W. Wright Museum of African-American History	38,045,000
Civic Center	3,000,000
Planning & Development	221,695,000
Department of Public Works	5,350,000
Fire	17,420,000
Health	14,330,000
Historical	7,980,000
Library	7,500,000
Police	27,580,000
Public Lighting	171,765,000
Recreation	131,025,000
Transportation (includes DTC)	8,000,000
Zoo	37,005,000
Appropriated/unsold **	0
Totals	<u>\$735,845,000</u>

** The August 1995 Bond Sale (\$50,000,000) funded appropriated projects (\$76,770,000) from the FY93, FY94, FY95 and FY96 Budgets. To date all of this \$26,770,000 gap has been funded.

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The City's General Obligation Unlimited Tax Bonds continue to be rated investment grade by S&P; however, in 1992 the rating on such bonds was lowered by Moody's to non-investment grade. In August 1995, Fitch IBCA assigned an investment grade rating to these bonds. The City has received rating increases in 1996, 1997 and 1998 from both Moody's and Standard & Poors. Fitch has given the City four rate increases since 1995. Currently, the City enjoys an investment grade rating from all three rating agencies: Moody's, Standard & Poors and Fitch.

Pursuant to the State constitution, General Obligation Unlimited Tax Bonds must be voter-approved. This is required in order to levy taxes in excess of the City's general operating limit for payment of debt service. The City has the authority of the electorate, as of November 2, 2004, to issue \$276,030,000 in General Obligation Bonds for such purposes as Police and Fire facilities; Civic Center projects, lighting improvements; various cultural facilities- Recreation, Zoo, Eastern Market, Historical Museum; Health facility projects; the Detroit Institute of Arts; and Neighborhood/Economic Development projects, transportation activities and the Charles W. Wright Museum of African-American History exhibit and building improvements. The City has followed a policy of scheduling bond referendums to coincide with regularly scheduled elections.

State law limits the amount of general obligation debt a city may have outstanding at one time. Generally, the limit requires such debt to be within ten percent of the assessed value (which includes certain assessed value equivalents for purposes of the formula) of all real and personal property in the city. Significant exclusions to or extensions of the debt limit are permitted for special assessment bonds, motor vehicle highway bonds, hospital bonds, certain mortgage and housing bonds and various other bonds for projects deemed necessary for abating pollution. The City's outstanding debt is currently within the limits prescribed by State law.

In addition to funding new construction from the proceeds of General Obligation Bonds, rehabilitation projects may be bond-financed in accordance with current City policy, provided: 1) the project significantly extends the economic life of a building or changes the use of the facility; and 2) the project requires a minimum of \$100,000 for a single location.

Traditionally, equipment and repair projects are funded in the operating budgets of General Fund Departments. While this Agenda does not include such routine capital expenditures for General Fund Departments, it *does* include equipment purchases in those departments that have funding sources other than city cash available for capital equipment purchases. An example of this would be bus purchases in the Department of Transportation.

EARNINGS ON INVESTMENTS

In addition to the proceeds from the sale of general obligation bonds, the interest earned on the investment of unspent bond proceeds can also be used for projects that were voter authorized. As part of each year's budget development process, the Mayor recommends which projects will be funded by these earnings and after review and approval by City Council these earnings are appropriated as part of the City's budget. Earnings from these unspent proceeds have totaled \$77,780,122 and have been appropriated in the last sixteen (including fiscal year 2004-05). These earnings have been appropriated for projects involving:

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PROJECTS	EARNINGS ON INVESTMENTS APPROPRIATED
Airport*	\$465,000
Detroit Institute of Arts	2,229,960
Charles W. Wright Museum of African American History	8,545,000
Department of Public Works	400,000
Planning & Development*	27,360,522
Fire	1,828,000
Health	3,993,000
Historical Museum	305,440
Library	1,962,600
Lighting	5,171,000
Police	11,588,000
Recreation	12,044,000
Zoo	1,183,000
Debt Service	363,000
Bond Insurance & Discount	2,558,500
Project Accounts (**)	780,100
TOTAL	\$80,777,122

* Airport and Planning & Development included in Neighborhood and Economic Development authorization

** Project Accounts-this amount replenishes project dollars that were used to pay for the administrative cost of selling bond issues.

LIMITED GENERAL OBLIGATION BONDS

The City may issue limited tax general obligation bonds or other debt obligations without the vote of the electors. However, taxes may not be levied in excess of constitutional, statutory or City Charter limitations for the payment thereof. These bonds are payable from general non-restricted funds of the City. To the extent debt service on this category of obligations is not provided from a special revenue source, the payment is provided from the City's General Fund, which reduces the amounts that otherwise would be available to support operations.

CASH CAPITAL

Because the City of Detroit could not sell General Obligation Bonds between 1980 and 1987, increased reliance had to be placed on the "cash capital" method of financing crucial General Fund capital projects. This funding method is the most conservative approach possible, relying on general tax and operating receipts rather than on debt. In March 2000, the Detroit Library Commission received an additional 1-mill increase, some of which will be used for capital purposes. On November 2, 2004, the Library received renewal of their existing operating millage, as well as, an additional 1-mill increase. DPL has indicated that some of the funds from the additional mill will be used for capital improvements.

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PRIVATE FUNDS

When they can be identified, "Private Funds" are shown as a part of the Capital Program. Those corporations, groups and organizations that contributed significant funds to various City Departments are acknowledged below.

Detroit Institute of Arts- Founders Society

The Founders Society plays a major role in supporting capital improvements to the Detroit Institute of Arts. Over the past five years the Society has contributed millions to support major capital improvements program of the museum. The Founders Society also raises funds from individuals, corporations and foundations, especially those in the Detroit community for the renovation and re-installation of the galleries in the museum. A typical gallery renovation can cost in excess of \$500,000. They have fully funded at least one gallery renovation each year for the past ten years.

Detroit Historical Society

The Detroit Historical Society ("Society") is an independent, nonprofit corporation and is the major source of private funds for the Detroit Historical Department which operates the Detroit Historical Museum, the Dossin Great Lakes Museum and Historic Fort Wayne. The purpose of the Society is to promote interest in and knowledge of local heritage by classes, lectures, exhibits and such other methods as may be thought to be appropriate. The Detroit Historical Society Guild operates the Old Detroit Shop and sponsors other activities to promote the Detroit Historical Museum.

Detroit Historical Society and the Transportation Act for the 21st Century (TEA 21)

The Federal government through the State of Michigan, Department of Transportation, has the Transportation Enhancement Act for the 21st Century (TEA-21) grant program for which the Historical Society has applied for a grant to assist in the Historical Department's Main Museum Expansion development of permanent exhibits featuring automotive history. The exhibits qualify for funding because major portions of the Museum Expansion activities are oriented toward the extensive transportation history, including culture, design, engineering, individuals, manufacturing and urban/suburban development of Southeastern Michigan and Detroit, in particular. The Historical Museum, located in Detroit's Cultural Center, envisions itself as the Lower Woodward Avenue Hub of the Automobile National Heritage Area. This area stretches from Southeastern to Central Michigan, established by Congress in 1998. It is associated with the National Park Service and is one of 23 such designated National Heritage Areas throughout the United States established to conserve and celebrate heritage and unique landscapes. The grant is in accordance with Transportation Enhancement Act eligible activities, as expressed by the Michigan Department of Transportation.

Detroit Zoological Society

The Detroit Zoological Society has consistently provided generous support for Detroit Zoological Institute development and regularly contributes about \$1,000,000 in annual support. On occasion, as was the case for the Great Apes of Harambee (\$7 million) in 1989 and the Wildlife Interpretive Gallery (\$1.8 million) in 1995, the Detroit Zoological Society's financial support is greater. Annually, the Director of the Detroit Zoological Institute presents the five-year capital plan to the Board of the Detroit Zoological Society and suggests/requests financial

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support for appropriate projects. Financial support can be provided from general operating revenues, including membership dues, investment income, special event proceeds, special gifts, grants, and sponsorships. For large projects, a specific capital campaign may be launched for that purpose.

Greater Downtown Partnership

The Greater Downtown Partnership is a private, non-profit corporation formed in 1996 to accelerate physical revitalization and economic development in Greater Downtown Detroit.

The Partnership is currently pursuing several downtown economic development initiatives, including reinvestment strategies for the Eastern Market.

Eastern Market Reinvestment Strategy

The Partnership's most recent Reinvestment Strategy is for the Eastern Market. The market is a regional center for fresh food and goods, and one of Metro Detroit's premier assets. Over the last year, the Partnership has convened a group of stakeholders, designers, and consultants to propose strategies to strengthen the market's current assets and formulate new ideas to generate more activity. The partnership has identified and continues to seek partners for the funding and implementation of these initiatives. Partnerships between the City, Federal, State and local governments and corporate and private foundations will ensure that the market plays a tremendous role in the future of Detroit. Implementation of this strategy will recreate the market as an active, year-round center of health, education, economic growth, and diversity. Grants totaling \$9,850,000 have been requested to date for the Eastern Market Project.

Skillman Foundation

In August 2000, the Skillman Foundation awarded the Detroit Public Library a \$5 million grant (coupled with \$3.1 million City of Detroit general obligation bonds) to renovate the Downtown Branch. This follows a \$120,000 grant awarded in December 1999 to conduct an architectural study of the downtown facility. The grant will allow for the substantial renovation of the branch anticipated to re-open in the middle of 2003. The Downtown branch, located at 121 Gratiot, was originally built in 1931. It requires extensive renovation and was closed in 1998 due to the implosion of the Hudson's building. Proposed updates to the renovated facility include a computer lab, a children's department and a business center. The Skillman Foundation is a private organization based in Detroit that works to improve the lives of children. This grant represents the largest single gift presented to the Detroit Public Library in its 137-year history.

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ENTERPRISE DEPARTMENTS

Several of the City's enterprise departments sell revenue bonds that do not fall within the limitations of the General Obligation Bond program.

PARKING AND ARENA SYSTEM REVENUE BONDS

Pursuant to authority granted by the Building Authority Act (P.A. 31, 1948, as amended) the City of Detroit Building Authority is authorized to issue bonds to finance the acquisition of the Arenas and the Arena Garage and for parking garage improvements. The bonds are special obligations of the Building Authority payable from payments of Basic Rent by the City under a Contract of Lease. Payment of the Basic Rent is secured by a pledge of the gross revenues from the operation of the Parking System and the Arenas. Also, provided under this bond resolution is the ability of the Building Authority to issue additional bonds for the purpose of financing additions, replacements and improvements to the Parking System.

In November 1994, the fund refunded \$44,560,000 of the City of Detroit Building Authority Parking and Arenas System Revenue Bonds (the Revenue Bonds), which had been issued pursuant to Contract of Lease No. 2, Series A, during fiscal year 1986 by the City of Detroit Building Authority, with interest rates ranging from 6.5% through 9.125%. The revenue bonds were refunded with a note that matured on November 30, 1996, with interest at LIBOR plus 0.75%. The note was extended to February 1997.

On February 19, 1997, the City of Detroit Building Authority issued Building Authority Revenue Refunding Bonds (Parking and Arena System), Series 1997A, in the amount of \$3,050,000, with an average interest rate of 4.3%, and Series B, in the amount of \$37,695,000, with an average interest rate of 6.3%, to refund the outstanding balance on the aforementioned note of \$42,295,000. This note was due and payable in full on February 19, 1997. The net proceeds of \$39,655,708 (after payment of underwriters fees and other issuance costs of \$1,093,292), plus \$2,643,292 of debt reserve money, were used to retire the entire outstanding principal amount.

On July 1, 1998, the City of Detroit Building Authority issued Building Authority Revenue Bonds (Parking and Arena System), Series 1998A, in the amount of \$27,000,000, with an average interest rate of 4.8%. Interest is payable semi-annually on January 1 and July 1, commencing January 1, 1999. Principal payments are made annually, expiring on July 1, 2019.

On October 21, 1999, the City of Detroit Building Authority issued Building Authority Revenue Bonds (Parking and Arena System), Series 1999A (Auction Rate Securities) and Series 1999B (Taxable Auction Rate Securities) in the amount of \$29,900,000, expiring on July 1, 2029.

PARKING SYSTEM PROGRAM RESERVE FUND

Monies are deposited into the Parking System Program Reserve Fund through a flow of funds pursuant to Contract of Lease No. 2. Revenues are deposited daily into the Revenue Fund. After the last day of each month, monies are transferred from the Revenue Fund into other trust accounts to accrue upcoming obligations. Monies are transferred first to the

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Interest Account, second to the Principal Account, Third to the Debt Service Reserve Account, fourth to the Operating and Contingency Reserve Fund, fifth to the Credit Enhancement Fee Account, sixth into the Operating and Maintenance Reimbursement Fund, and seventh into the Surplus Fund also known as the Parking System Program Reserve Fund.

WATER

The Water System is able to sell additional Revenue Bonds provided certain defined net revenues of the Water Fund are in excess of 1.20 times (or 1.10 times for second lien bonds) the largest amount of combined principal and interest to fall due in any future operating year for the outstanding Revenue Bonds, plus the additional bonds being issued.

Since 1998, the department has sold and refinanced revenue bonds as follows:

\$256,340,000 Water System Revenue and Revenue Refunding Bonds in November 1999

\$603,760,000 Water System Revenue and Revenue Refunding Bonds in June 2001

\$605,475,000 Water System Revenue and Revenue Refunding Bonds in January 2003

\$240,600,000 Water System Revenue and Revenue Refunding Bonds in May 2004

SEWERAGE

The Sewerage System is able to sell additional revenue bonds provided certain defined net revenues of the Sewerage Fund are in excess of 1.20 times (or 1.10 times for second lien bonds) the largest amount of combined principal and interest to fall due in any future operating year for the outstanding Revenue Bonds, plus the additional bonds being issued.

The program outlined in this Agenda fulfills an amended consent judgment mandating Environmental Protection Agency (EPA) required improvements to the sewage treatment system.

Since 1998 the department has sold and refinanced revenue bonds as follows:

\$137,955,000 Sewerage System Revenue and Revenue Refunding Bonds in December 1998

\$302,995,178 Sewerage System Revenue and Revenue Refunding Bonds in December 1999

\$705,590,000 Sewerage System Revenue and Revenue Refunding Bonds in October 2001

\$749,380,000 Sewerage System Revenue and Revenue Refunding Bonds in May 2003

\$101,435,000 Sewerage System Revenue and Revenue Refunding Bonds in February 2004

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SEWERAGE SYSTEM IMPROVEMENT AND EXTENSION FUND

The Sewerage System also derives funding for capital projects from the revenues of the system. To the extent that moneys remain after meeting the annual funding requirements of the Operation and Maintenance Fund, Bond and Interest Redemption Fund, Junior Lien Bond and Interest Redemption Fund, and the Extraordinary Repair and Replacement Reserve Fund, sums may be set aside in the Improvement and Extension Fund for making improvements, enlargements, extensions or betterments to the system. Any funds, which may be necessary to compensate for any future rate adjustments due to overpayments received in prior years, shall be taken into account in expending any funds from the Improvement and Extension Fund. In the preceding five fiscal years, the Sewerage System transferred to the Improvement and Extension Fund the following:

2000 - \$3,404,000
2001 - \$6,161,000
2002 - \$5,279,000
2003 - \$6,969,000
2004 - \$9,789,000

WATER SYSTEM IMPROVEMENT AND EXTENSION FUND

The Water System also derives funding for capital projects from the revenues of the system. To the extent that moneys remain after meeting the annual funding requirements of the Operation and Maintenance Fund, Bond and Interest Redemption Fund, Junior Lien Bond and Interest Redemption Fund, and the Extraordinary Repair and Replacement Reserve Fund, sums may be set aside in the Improvement and Extension Fund for making improvements, enlargements, extensions or betterments to the system. In the preceding five fiscal years, the Water System transferred to the Improvement and Extension Fund the following:

2000 - \$ 7,122,000
2001 - \$ 5,107,000
2002 - \$ 4,009,000
2003 - \$15,969,000
2004 - \$ 9,432,000

The capital program described for the Water and Sewerage Department differs from others in this agenda in that, although amounts listed for projects reflect the year of project initiation, funding is provided throughout the life of each project, rather than entirely at the start of the project.

CIVIC CENTER RENEWAL AND REPLACEMENT FUND

The Renewal and Replacement Fund receives interest on investments from certain of the funds held for repayment of bonds issued for Cobo Center expansion. The Bonds are secured by a regional hotel tax and a statewide tax on liquor sales.

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FEDERAL AND STATE FUNDS

ARTS, CULTURE AND QUALITY OF LIFE GRANT

In 1999, the Historical Society on behalf of the Historical Department received funds totaling \$500,000 from the State of Michigan, Department of Management and Budget, in accordance with the provisions of Section 204 of Public Act 273 of 1998. The purpose of the funding is to provide for the architectural study and preservation of the historic 1840's fort and barrack buildings located at Historic Fort Wayne. This grant provides assistance in the development of Historic Fort Wayne as a riverfront destination for events, youth programs and historical exhibits. Grant funds are to be expended within three years of receipt of the funds.

AVIATION GRANTS

Detroit City Airport is eligible for Federal funding under the Airport Improvement Program (AIP), established by the Airport and Airway Improvement Act of 1982 (P.L. 97-248, September 3, 1982). These funds are generated through aviation taxes and used in projects to renovate and rehabilitate public areas of airports solely for increasing the level of service to all passengers. At Detroit City Airport, AIP construction, planning and equipment funding are based on a 90% Federal, 5% State and 5% Local match. Land acquisition funding is based on a 90% Federal and 10% Local match. Detroit City Airport is also eligible for funding under the Michigan Aeronautics Commission 50/50 matching grant program. Aviation grants present a strategic opportunity to exploit inherent leveraging opportunities through minimal local investment.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

The Community Development Block Grant program is a Federal program operated by the U.S. Department of Housing and Urban Development. This program provides entitlement grants to local governments for community development activities. The grant amount is determined by formula and varies from year to year according to the amount appropriated nationally by the U.S. Congress. The primary objective of the program is the development of viable urban communities including decent housing, a suitable living environment, and expanded economic opportunities principally for persons of low and moderate income. Grant funds may be used for a wide variety of activities including home rehabilitation, construction and rehabilitation of community facilities, demolition of blighted buildings, acquisition, relocation and preparation of property for new development, economic development, public services, planning, administration of the program, etc. Decisions on the use of the CDBG funds are made by the Mayor and City Council after a citizen participation process including requests for and submission of proposals from community organizations, individuals, and City agencies, and public meetings and hearings. The program is administered by the Detroit Planning and Development Department. Some projects in the program are administered by other City agencies.

In addition to the entitlement grant, this program generates program income from some of its activities. Funding allocations, since 1992 to present are as follows:

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Year	Entitlement Grant	Program Income	Total
1992-93	\$47,204,000	\$2,517,000	\$49,721,000
1993-94	54,004,000	2,740,685	56,744,685
1994-95	59,906,000	3,746,000	63,652,000
1995-96	56,584,000	3,631,855	60,215,855
1996-97	53,754,800	2,416,643	56,171,443
1997-98	53,685,000	3,583,853	57,268,853
1998-99	50,977,000	3,569,325	54,546,325
1999-00	51,284,000	1,935,092	53,219,092
2000-01	51,213,000	1,716,201	52,929,201
2001-02	52,768,000	7,105,910	59,873,910
2002-03	52,922,000	6,584,461	59,506,461
2003-04	46,457,000	2,510,011	48,967,011
2004-05	45,829,000	5,191,709	51,020,709

HOME Investment Partnership Act (HOME)

The HOME Investment Partnership Act (the Home Act) (Title II of the Cranston-Gonzalez National Affordable Housing Act) created the HOME Investment Partnerships Program that provides funds to expand the supply of affordable housing for very low-income and low-income persons. The HOME Program provides grants to states, units of general local government, consortia, and insular areas to implement local housing strategies designed to increase homeownership and affordable housing opportunities for low-and very low-income Americans. A total of approximately \$27,802,730 was spent between single-family and multi-family housing from 1997-2002. HOME funds for FY2003-04 and funding projected for FY2004-05 are \$11,303,167 and \$11,301,351; respectively.

American Dream Downpayment Initiative (ADDI)

This year the City of Detroit will receive funding from the American Dream Downpayment Initiative (ADDI). ADDI was signed into law December 16, 2003. ADDI funding was divided into 2003 and 2004 allocations. The law states that ADDI funds will be allocated to eligible HOME participating jurisdictions to help low-income families become first-time homebuyers. ADDI funds may only be used for downpayment assistance towards the purchase of single family housing by low-income families who are first-time homebuyers. Rehabilitation that is completed in conjunction with a home purchase assisted with ADDI funds is also an eligible activity under the ADDI statute. However, the ADDI 2003 funding can only be used for downpayment assistance. The City of Detroit has also decided to use the ADDI 2004 funding for downpayment assistance only. Funding in the amount of \$404,981 was awarded under the ADDI 2003 program. For FY2004-05, funding projected from the ADDA 2004 program is \$477,890.

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CDBG NEIGHBORHOOD OPPORTUNITY FUND (NOF)

The Neighborhood Opportunity Fund (NOF) is part of the CDBG program. The purpose of the NOF is to fund neighborhood improvement projects proposed by neighborhood organizations and neighborhood-oriented service organizations. NOF projects must be eligible under CDBG regulations. They should be limited in scope and designed so that they can be completed within one year.

ENVIRONMENTAL GRANTS

Annual grants from the State of Michigan Department of Environmental Quality available to the City through the Department of Environmental Affairs (DEA) are:

1. Clean Michigan Initiative (CMI) Bond Funds
2. Site Reclamation Bond Grants
3. Site Redevelopment Grants
4. Revolving Loan Funds and
5. Site Assessment Grants

Additional grants for pollution prevention, Great Lakes preservation, and watershed management are also available depending on the amount funding received from the federal government.

Clean Michigan Initiative Bond Fund:

Since 1997 the City of Detroit through the DEA has received \$88 Million dollars in grant funding from the State of Michigan. Developing applications for these grants requires coordination with City development agencies and BSE. Preparation includes assembling data on each of the property for which funds are sought. The DEA must assess the estimated cost of the project, property ownership, the amount of contamination at the site and the source of that contamination, potential for redevelopment, or establish that the site presents an imminent a substantial endangerment to the public health and safety or the environment.

Although funds from the CMI Bond do not flow directly to the City, DEA must coordinate with the State contractors selected to carry out the work requested by the City. This requires regular meetings with State program managers to assure that there is proper interface between the State contractors and City permitting agencies. The Department is also responsible for maintaining schedules, organizing documents and communicating the status of projects to the City's development agencies. The DEA is now managing over 250 sites throughout the City of Detroit in various stages of completion.

The DEA currently utilizes administrative staff and technical staff and the Director to administer these grants. With the addition of this new position the DEA will be able to concentrate and focus its efforts to coordinate with development agencies and BSE to select sites that more accurately reflect development and commercial demolition priorities of the City. This position will be responsible for maintaining a database of sites eligible for funding by coordinating with development and demolition agencies so that the focus of the program is more aligned with the City's development and clean-up priorities. The position will be charged with an ongoing dialogue with these City agencies to determine need and identify possible sources of funding.

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Site Reclamation, Site Assessment, Revolving Loan and Site Redevelopment Funds:

These grants are available annually and as their names depict are specifically designed to address unique needs of the City, which are not captured by the CMI Bond Fund. These funds are allocated directly to the City for specific projects. These grants provide the City with more flexibility in site selection, use of the funds and selection of the contractor. They also allow the City to make funds available to private developers with City oversight in the use of the funds. Currently, the City has three grants which it administers and manages: 1) the Site Reclamation grant for the I-94 Industrial Park, 2) a Site Assessment Grant for the development of an Environmental GIS system and 3) a Site Redevelopment Grant for the New Amsterdam projects.

Although the State makes annual grants to municipalities of these funds, the City has not made annual applications for these funds because DEA lacks the resources to coordinate fully with development agencies and private developers. In essence the City through its DEA lacks the human resources to manage these funds. It is estimated that had the City had these resources it could have obtained over \$10 million dollars in additional funding since the inception of these statutory grants. This new position will be charged with addressing this deficit-- applying for, managing, and administering the funds allocated by the state under the redevelopment grant programs.

Pollution Prevention, Watershed Management and Great Lakes Protection Grants:

These are specialized competitive grants that are designed to find innovative ways to remove hazardous materials from the waste stream and thereby protect the environment and the health and safety our citizens. Each year the State solicits applications for innovative technologies and best management practices to accomplish this goal. The grants encourage cooperation with industry and community groups to change "behavior" and reduce the amount of pollution in our environment. The DEA currently has two such grants: 1) a best management practices grant to improve the operation of and prevent pollution by junkyards and salvage yards, and 2) a PCB reduction grant to foster use of alternative products by industry to reduce the use of PCB in the environment.

Heretofore, these grants have been administered by a technical staff of Environmental Specialists, and the Administrative Supervisor. As a consequence, we have not had the resources to compete annually for these funds and thereby to build the bridges between community organizations and business that would significantly improve the environment and quality of life of our citizens. This new position would take over administration of these grants with the technical support of the Environmental Specialists and the budgetary assistance of the Administrative Supervisor.

Brownfield Redevelopment Revolving Loan

The City through the DEA also participates in federal environmental grant programs administered by the USEPA. The City currently has a Brownfield Redevelopment pilot and a Brownfield Revolving Loan program with the USEPA. These grants like those described above require administration, reporting and management in addition to technical support. Currently, these programs are managed by the technical staff with the assistance of the Administrative Supervisor. As a consequence we cannot apply annually because of lack of resources. It is

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estimated that the City has lost the opportunity to compete for over \$2.5 million dollars in grants since 1999.

Michigan Underground Storage Tank

The Michigan Underground Storage Tank Financial Assurance (MUSTFA) program is a State fund established by the Legislature in 1988 to pay owners and operators of underground storage tanks up to \$1 million to repair or remove leaky tanks from their land and remediate contaminated soil. The Federal government required tank owners and operators to cover costs of up to \$1 million in the event of a leak. MUSTFA, funded by a 7/8 cent tax levied (until 2005) on the sale of all petroleum production in Michigan raising \$50 million annually, provided the coverage. As of June 29, 1995, MUSTFA no longer accepted new claims submitted for reimbursement. An April 1995 letter from the Michigan Department of Natural Resources told potential claimants MUSTFA is bankrupt. It will be able to pay past claimants through 2005.

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RECREATION FUNDS

Since local funds are so limited, State funds play a significant role in the acquisition and development of capital projects for the Recreation Department. Various Federal and State funds that require local matches help to finance capital projects. In the past, Community Development Block Grant funds, Michigan Land Trust Funds and Michigan Waterways and Fisheries Funds have been used to match when circumstances have permitted.

U.S. Department of Interior Land and Water Conservation Fund (LWCF)

These funds are limited to the development of basic outdoor recreation facilities and cannot be used for buildings or maintenance and renovation. A 50% local match is required. Currently, \$2.6 million is available statewide for funding.

Federal Urban Parks and Recreation Recovery Program (UPARR)

These funds pay for extensive renovation of some of our older facilities. Starting in 1979, these Federal funds were available for financing 70% of the cost for renovation with the balance paid through local sources. Currently, no funding is available from this source.

Coastal Zone Management and Recreation and Tourism Grants

Since 1989, these grants funded several important projects for the Department. We have received renovation grants for the Belle Isle Nature Center, Lakewood East Park and Belle Isle Fishing Piers.

Michigan Natural Resources Trust Fund

The Trust Fund accumulates principal to the fund by using fees from oil, gas and mineral resource permits from lease and royalty rights on state land in northern Michigan. Some trust fund money can be used for development, as well as, acquisition projects. A 25% local match is required. In getting projects approved, however, the City must compete with other areas of the State for limited available funding. In 1997, a grant for \$500,000 was approved for renovations to the Riverside Park Seawall/Promenade.

State Recreation Bond Program. Since 1989, funds under this program were used for major repairs to Belle Isle infrastructure and heating and ventilation repairs to Crowell and Brewer Recreation Centers. Funds were received in 1990, in the amount of \$750,000, for major renovation to the Rouge Park Brennan Pool. A \$562,000 grant for the development of five handicapped play areas was received in 1991. In 1992, the Program provided \$750,000 for major renovations of hard surface courts. A \$375,000 grant was awarded in 1994 to the Recreation Department to develop a recreational path on the Uniroyal site.

SEWERAGE FUNDS

The Sewerage portion of the Water and Sewerage Department=s program reflects anticipated receipts of Federal funds for water pollution control systems. The Federal Construction Grants program is being phased out.

Pollution Grants indicated in the departmental section represent awards for previously approved projects; participation in the Revolving Loan Fund will be revenue-supported.

MAJOR SOURCES OF REVENUES

STREET CAPITAL FUNDS

Michigan Gas and Weight Taxes- The primary source of street capital is the State tax on motor fuels and vehicle licensing fees, which are distributed to municipalities by formula. The City's latitude is greater with these funds than with other sources, and they are often used as local matches for grants (except when projects fall under the purview of the Planning Development Department).

Michigan Transportation Economic Development Fund.

Transportation Economic Development Fund was created in 1987 to provide funding for road projects related to economic development and redevelopment opportunities. All ACT 51 recipient governmental units (state, county, city and village road agencies) are eligible for this fund. This state appropriation is distributed to municipalities statewide when project priority is demonstrated. Projects that meet the eligibility criteria for this fund are submitted to the State of Michigan, Office of Economic Development for approval. Municipalities compete for placement on the priority list and are awarded grants in the form of an 80% - 20% match when preference is achieved. Upon approval of the grant, the City submits a program application that gives the details of the project and includes cost estimates. The City will prepare the project design. The Michigan Department of Transportation (MDOT) reviews and approves the City's design, advertises for bids and awards the contract. Payment to the contractor is made by MDOT in an amount not to exceed 80% of pre-approved costs. The local match of 20% is submitted to MDOT for the contractor payments. The City performs the engineering and inspection of the contractor's work, which is reimbursed by MDOT up to 80% of the total pre-approved costs.

The following chart indicates the amount of funds received from the Michigan Transportation Fund and the Build Michigan Fund in the past thirteen years.

Fiscal Year	Michigan Transportation Fund**	Build Michigan Fund**
1991-92	\$43,000,000	
1992-93	40,200,000	
1993-94	41,800,000	
1994-95	42,600,000	5,300,000
1995-96	49,400,000	3,000,000
1996-97	45,800,000	2,200,000
1997-98	54,900,000	2,200,000
1998-99	58,700,000	2,200,000
1999-00	62,100,000	1,900,000
2000-01	61,400,000	2,200,000
2001-02	58,700,000	2,100,000
2002-03	58,956,685	2,092,210
2003-04	63,720,686	2,085,664

MAJOR SOURCES OF REVENUES

Transportation Equity Act of 21st Century

President Clinton signed the landmark Transportation Equity Act for the 21st Century in June 1998, (TEA21) which succeeds the ISTEA of 1991. This bill affirmed President Clinton's key priorities to build a strong America, improve safety, protect public health and environment, and create opportunity for all Americans. It also provided record investment to continue rebuilding America's highways and transit systems. Under this program, a program application is submitted to MDOT to obligate the funds; the application should be for a project included in the Transportation Improvement Program. Projects that are obligated will receive 81% to 85% funding from the Federal government. Safety projects, such as pavement markings, traffic signal modernization etc. can receive 100% Federal funding. MDOT advertises for bids, awards the contract and makes payments to the contractors. The local match of 18.15% is submitted to MDOT for contractor payments. The City performs project construction engineering and inspection work that is 81% to 85% reimbursed by MDOT from Federal funds.

TRANSPORTATION GRANTS

The Detroit Department of Transportation's capital funding is authorized by the Urban Mass Transportation Act of 1964, as amended, through the U.S. Department of Transportation, Federal Transit Administration (FTA) and State of Michigan, Michigan Department of Transportation (MDOT). These funds are generally provided based upon an 80/20% formula-FTA supplies 80% and 20% is provided by MDOT. The purpose of these grants is to supply major capital items; such as: buses, service equipment, service vehicles, communications equipment, facility improvements, and safety and security needs to be utilized in the maintenance and enhancement of the daily operations within the Detroit Department of Transportation. This funding is allocated through the Regional Transit Coordinating Council (RTCC). The RTCC is the designated recipient for transit funds in the seven-county area of southeastern Michigan, known as the Detroit Metropolitan Area. The four-member RTCC board consists of the Mayor of the City of Detroit and the County Executives of Wayne, Oakland and Macomb Counties.

URBAN DEVELOPMENT ACTION GRANTS

The Urban Development Action Grant (UDAG) program was authorized by the Housing and Community Development Act of 1977, as amended. Under this program, the U.S. Department of Housing and Urban Development (HUD) made grants for economic development projects in distressed cities. The grants were made to encourage private investment in such projects; the commitment of significant private funding to the project was required.

In 1977, \$400 million per year was authorized for this program. This authorization was increased to \$675 million per year in 1979, but was reduced to \$440 million per year in 1981. In 1984, Congress authorized and appropriated \$440 million for the UDAG program; in 1985, \$440 million; in 1986, \$332 million; in 1987, \$225 million; in 1988, \$185 million; and in 1989, \$50 million. Congress has authorized no further funding and none is anticipated.

Since the inception of the UDAG program in October 1977, Detroit has submitted nearly 130 applications and received approval on 52 projects.

GENERAL OBLIGATION BOND PROGRAM



DEFINITIONS

The definitions below apply to the General Obligation Bond Spreadsheets and Capital Agenda Summaries by Agency and Funding Source.

CAPITAL - The City's definition of "capital" in the scope of this Agenda has the following conditions: 1) the project involves the funding of new construction; 2) the project is rehabilitation that significantly extends economic life of a building or changes the use of the facility, and the project requires a minimum of \$100,000 for a single location.

2004-05 BUDGET - This amount is currently part of the City's Budget as approved by City Council.

AUTHORIZED UNISSUED - The amount in this column represents the voter approved bond authorizations for general obligations bonds that have not yet been sold.

FIVE-YEAR PROGRAM (2005-06 THROUGH 2009-10) - These columns represent the proposed five-year capital plan. Amounts are based on current information as to the known limitations for each funding source.

FUND- A group of self-balancing accounts set aside from a specific resource (i.e. bond sale) and for a specific purpose (i.e. capital project).

FUNDING SOURCES- The various types of funds used to finance capital improvement projects.

ORGANIZATION CHARTS- appear on the title page for City agencies: FTE= full time equivalent (employees)

RECOMMENDED FIVE-YEAR PROGRAM TOTALS - This column provides a sum total of the recommended funding for the five-year capital plan period (2005-06 through 2009-10).

UNPROGRAMMED - This column represents project amounts as requested by City Department officials and fall within the definition of capital as used in this document, but which cannot be assigned a high probability of actual funding during the five-year capital plan period (2005-06 through 2009-10).

VOTER AUTHORIZATION- Prior to the sale of bonds, voter approval is required of the electors-citizens to levy property taxes used for the payment of principal and interest on the bonds.

HISTORY OF VOTER AUTHORIZATIONS (From 1978 to present)

AGENCY	(11-7-78)	(8-5-80)	(11-4-86)	(8-2-88)	(8-4-92)	(8-6-96)	(11-4-97)	(11-7-00)	(11-6-01)	(4-29-03)	(11-02-04)	TOTALS
AIRPORT								\$5,000,000 (ed)			\$5,000,000	\$10,000,000
DETROIT INSTITUTE OF ARTS				\$25,000,000				25,000,000				50,000,000
CIVIC CENTER								3,000,000 (mf)			9,000,000	12,000,000
CULTURAL, ARTS & TOURISM											2,000,000	2,000,000
PLANNING & DEVELOPMENT			\$33,800,000	65,000,000	\$62,000,000		\$35,000,000	25,000,000 (ed)			19,000,000	239,800,000
PUBLIC WORKS							3,500,000 (mf)	5,000,000 (mf)			6,000,000	14,500,000
FIRE	\$3,400,000	\$5,725,000					7,500,000 (ps)	6,000,000 (ps)			17,500,000	40,125,000
HEALTH			4,300,000		6,000,000		1,000,000 (mf)	5,000,000 (mf)			7,500,000	23,800,000
HISTORICAL							2,000,000 (cf)	6,000,000 (cf)	\$20,000,000			28,000,000
LIBRARY							7,500,000					7,500,000
POLICE	7,500,000		3,500,000				7,500,000 (ps)	6,000,000 (ps)			78,000,000	102,500,000
PUBLIC LIGHTING	6,600,000	14,600,000	20,500,000	40,000,000	28,000,000		40,000,000	30,000,000			22,000,000	201,700,000
RECREATION	17,150,000		1,410,000	35,000,000	14,000,000	\$12,000,000	30,000,000 (cf)	36,000,000 (cf)			14,000,000	159,560,000
TRANSPORTATION							3,000,000 (mf)	5,000,000 (mf)			27,000,000	35,000,000
ZOOLOGICAL INSTITUTE	800,000		3,590,000	9,000,000	5,000,000	3,000,000	6,000,000 (cf)	10,000,000 (cf)			8,000,000	45,390,000
C.H. WRIGHT MUSEUM OF AFRICAN-AMERICAN HISTORY					20,000,000	10,000,000		4,000,000 (cf)		\$6,000,000		40,000,000
TOTALS	\$35,450,000	\$20,325,000	\$67,100,000	\$174,000,000	\$135,000,000	\$25,000,000	\$143,000,000	\$171,000,000	\$20,000,000	\$6,000,000	\$215,000,000	\$1,011,875,000

(cf) CULTURAL FACILITIES
(ed) ECONOMIC DEVELOPMENT
(mf) MUNICIPAL FACILITIES
(ps) PUBLIC SAFETY

HISTORY OF BOND SALES

AGENCY	(12-87)	(11-88)	(12-89)	(10-90)	(12-90)	(11-91)	(12-93)	(8-95)	(11-96)	(12-97)	(4-99)	(12-99)	(08-01)	(08-02)	TOTAL SALES	REMAINING VOTER AUTHORIZED
DETROIT INSTITUTE OF ARTS			\$2,220,000	\$3,085,000		\$3,100,000			\$3,000,000	\$2,250,000	\$3,000,000	\$3,000,000	\$10,345,000	\$5,000,000	\$35,000,000	\$15,000,000
CIVIC CENTER													1,600,000	1,400,000	3,000,000	0
PLANNING & DEVELOPMENT	\$11,385,000	\$19,615,000	6,565,000	26,675,000	\$15,030,000	10,625,000	\$10,850,000	\$36,010,000	8,000,000	12,000,000	3,000,000	9,500,000	28,550,000	5,135,000	202,940,000	22,860,000
PUBLIC WORKS											1,000,000	500,000	3,600,000		5,100,000	3,400,000
FIRE			1,515,000	2,060,000				500,000	1,300,000	1,000,000	1,500,000	1,500,000	5,000,000	1,500,000	15,875,000	6,750,000
HEALTH		3,320,000				980,000		3,800,000				1,200,000	2,000,000	1,000,000	12,300,000	4,000,000
HISTORICAL												300,000	400,000	2,265,000	4,265,000	23,735,000
LIBRARY												1,500,000	3,500,000		7,500,000	0
POLICE	6,030,000		1,010,000					3,960,000			1,500,000	2,000,000	5,900,000	1,000,000	21,400,000	3,100,000
PUBLIC LIGHTING	19,835,000	17,250,000	16,160,000	15,895,000		12,160,000			6,000,000	20,000,000	16,500,000	9,700,000	13,455,000	6,800,000	153,755,000	25,945,000
RECREATION	11,865,000	6,695,000	8,080,000	10,420,000		8,770,000	7,730,000	14,000,000	5,000,000	7,000,000	6,800,000	8,500,000	15,150,000	5,300,000	115,310,000	30,250,000
TRANSPORTATION & DTC													1,000,000	7,000,000	8,000,000	0
ZOOLOGICAL INSTITUTE	2,010,000	2,380,000	810,000	2,570,000		3,930,000	1,690,000	5,000,000	1,000,000	2,000,000	2,000,000	2,300,000	3,500,000	2,100,000	31,290,000	6,100,000
AFRICAN-AMERICAN MUSEUM							6,500,000	13,500,000	10,000,000				1,000,000	1,500,000	32,500,000	1,500,000
APROPRIATED/UNSOLD **								(26,770,000)			5,000,000	5,000,000	10,000,000	5,000,000	(1,770,000)	1,770,000
TOTALS	\$51,125,000	\$49,260,000	\$36,360,000	\$60,705,000	\$15,030,000	\$39,565,000	\$26,770,000	\$50,000,000	\$34,300,000	\$44,250,000	\$44,100,000	\$45,000,000	\$105,000,000	\$45,000,000	\$646,465,000	\$144,410,000

* Planning & Development authorization includes Detroit City Airport

** The August 1995 Bond sale of \$50,000,000 funded \$76,770,000 of appropriated projects. To date an additional \$25,000,000 has been sold to cover these projects.

HISTORY: ALLOCATION OF INTEREST EARNED FROM BOND SALES

AGENCY	***** pro-rated per project *****																APPROPRIATION TOTALS
	FY1989-90	FY1990-91	FY1991-92	FY1992-93	FY1993-94	FY1994-95	FY1995-96	FY1996-97	FY1997-98	FY1998-99	FY1999-00	FY2000-01	FY2001-02	FY2002-03	FY2003-04	FY2004-05	
AIRPORT																	
DETROIT INSTITUTE OF ARTS			\$134,000									\$215,000					
PLANNING & DEVELOPMENT	\$860,822	\$2,162,000	2,212,000	\$6,000,000	\$6,336,900	\$5,493,300							\$71,000		\$1,899,560		\$125,400
FIRE		236,000	92,000						\$2,034,500				1,761,000				
HEALTH	1,330,000	2,417,000	246,000										500,000				
LIGHTING	405,000	362,000	2,813,000														
POLICE	700,000	1,106,000	232,000	1,500,000		\$3,300,000			1,100,000		491,000		2,000,000				
									1,500,000		1,250,000		3,000,000				
POLICE									2,000,000		750,000	850,000	3,000,000	\$500,000			
RECREATION	135,000	291,000	1,280,000			1,000,000						800,000	100,000				
ZOO			283,000									750,000					
AFRICAN-AMERICAN MUSEUM																	
CIVIC CENTER																	
PUBLIC WORKS																	
HISTORICAL																	
LIBRARY																	
DEBT SERVICE																	
BOND INSURANCE & DISCOUNT																	
PROJECT ACCOUNTS (*)																	

